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Reserve

UNITED STATES DEPARTMENT OF AGRICULTURE

Extension Service and Farm Credit Administration
Cooperating

a
SOUND FINANCIAL PLANNING BY THE FARM FAMILY

Farm financing during the war effort calls for unusual wisdom in the use of both net income and credit. Sound decisions in the situations that are developing can be made only when based on accurate information. Farm families will look to Extension Services, to the Farm Credit Administration, and to other financing agencies for the information they need.

Farm families can use their increased net income to strengthen the war effort and at the same time help to attain their long-time goals. Many families will pay their farm mortgages, while many others will use mortgage credit to buy farms at prices that have already markedly advanced. Many young families for the first time will assume important financial undertakings, and business relations will be established with credit agencies that will continue for a number of years.

Some of the questions farmers and their families will ask are:

- How can we increase or maintain production most effectively?
- How can we best use our incomes?
- How can we best get established in farming?

And a problem constantly facing extension workers is:

- How can we integrate information on farm and home financing into our program?

A. Increasing or maintaining production most effectively.

Outlays, whether of cash income or of credit, will be of greatest long-time benefit to the farm family as well as contribute most to "food for freedom" when they are used to -

1. Hasten long-time adjustments in production needed on the individual farm and advisable in the area.
2. Make adjustments in production demanded by the war requirements, even though these are expected to be temporary.
3. Provide parts and materials for prompt repair and maintenance of buildings, machinery, and other farm and home equipment, thus postponing the purchase of new articles made from materials needed in the war.
4. Buy seed, lime, and other requirements for soil conservation and improvement practices that compete but little with war needs.
5. Buy ahead and store against feed or other supply shortages that will result from transportation difficulties.

6. Finance the production and preservation of food and feed in live-at-home programs planned on adequate levels of consumption.
7. Reduce the cost and increase the use of means of production such as sires and farm machinery through cooperative ownership.

Expenditures for production may be unprofitable for the farm family and harmful to the "food-for-freedom" effort if used to -

1. Bid up prices of breeding stock and other production goods in competition with other producers. This is particularly true in bidding on dairy cows, second-hand machinery, and other things of which there is a relatively fixed supply.
2. Finance ambitious undertakings by operators who, because of inexperience or lack of ability, can make less efficient use of the limited factors of production.

B. Making sound use of net income.

Many farm families, especially those in the higher income groups, have had to adjust their spending habits during this war. Regardless of income, such families must do without many desirable goods to which they have become accustomed or which they have looked forward to having when farm products again sell for better prices. Unusually high prices indicate goods whose purchase should be kept to a minimum where rationing is not applied. It has required ingenuity and judgment to maintain production and provide adequately for family living as goods for both have become scarcer.

To support the war, help to keep the costs of living from spiraling upward, and get the most for themselves in the long run, farm families should use as large a share of their incomes as practicable to -

1. Pay off or reduce debts to safe amounts (50 percent or less of a conservative value of property).
2. Purchase war bonds and stamps to -
 - a. Help finance the war.
 - b. Aid in controlling inflation now and deflation after the war.
 - c. Replace and repair buildings and fences.
 - d. Replace and repair farm and home equipment after the priority restrictions are lifted.
 - e. Improve homes and farms and make needed purchases after the war ends.
 - f. Provide funds to educate children, or help them to get established on farms or in business.
 - g. Earn a good return on surplus funds safely invested.
 - h. Meet unforeseen emergencies.
 - i. Provide financial security for old age.

3. Make deposits in banks or maintain salable assets as a reserve to -
 - a. Pay cash for farm operation and family living costs.
 - b. Make scheduled payments on debts in future years.
 - c. Pay income and Victory taxes.
4. Provide services of dentists, oculists, physicians, and surgeons needed to fit their members for war duties and work on the farm and in the home.
5. Pay a reasonable price for additional land if available where needed to make a more efficient economic unit (family-size farm in most areas).
6. Make substantial down payments on farms by tenants or others who desire to become owners.
7. Carry a reasonable amount of property and life insurance.
8. Where locally feasible, make an investment (usually proportionate to the farm's use of their services) in the capital needed by essential farmers' cooperative organizations.

Higher net incomes in agriculture have resulted in the sale of more farms at markedly higher prices. As prices continue to advance, unusual care in appraising land becomes increasingly necessary to prevent overoptimism (now as in the last war) causing families to -

1. Pay more for land than future prices of farm products are likely to show it to be worth.
2. Go so deeply in debt to buy farms that they will lose both the farm and their payments if hard times should come again before the debt can be substantially reduced.

C. Getting established in the farm business.

Tenants, farm laborers, and rural young people usually move forward in status more rapidly during periods when their primary contribution, labor, is in keen demand. For the majority, this is proving to be true again during this war period.

1. Young families who expect to start in farming now have a better opportunity to get established in agriculture than in recent years because of -
 - a. The increased incomes they can put back into the business.
 - b. A wider choice of farms resulting from the movement of many rural young people to industrial employment or to the armed services.

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- c. The necessary postponement of expenditures for automobiles, mechanical refrigerators, and other desirable goods no longer available.

These young families usually are more dependent on credit than their parents have been to carry out their undertakings.

2. A limited number of tenants desiring to become farm owners, but lacking funds to make customary down payments, can obtain tenant purchase loans from the Farm Security Administration. Tenant farmers are also buying farms acquired by the land banks and other corporate lenders.
3. In their effort to obtain maximum wartime production of critical food crops, some 4-H Club members and older rural youth will need additional credit as well as machinery, fertilizer, and other supplies, and even additional land. If these are sought in an effort to increase production efficiency, and sound economical and financial planning has preceded the venture, it will aid both the war effort and the individual.